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OCT 4 1957

MEMORANDUM FOR: Comptroller

SUBJECT: Support for Disbursements of Confidential Funds

- REFERENCES:
- (a) Memorandum for Comptroller, from C/ED, dated 11 April 1957, subject as above.
  - (b) Memorandum for Comptroller, from Assistant DD/S, dated 4 April 1957, subject as above.
  - (c) Memorandum for Comptroller, from Chief, Finance Division, dated 14 February 1957, subject as above.

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1. Reference is made to various discussions regarding new material proposed for inclusion in [REDACTED] to establish certain documentary procedures for supporting disbursements of funds and to emphasize the peculiar responsibility charged to operating and approving officials in those instances wherein security and/or operational considerations preclude application of normal practices to support use of confidential funds.

2. As you know, we have been reluctant to go along with the proposals presented thus far because we feel that the prescription of mechanical procedures included therein are not responsive to the basic problem which gave rise to the proposal, i. e., what can we do to better assure that agency funds committed to sensitive operations are in fact used for the purpose intended.

3. It is inherent in intelligence operations that funds must be passed and payments made without execution of receipts or other documentation to evidence receipt of funds by the ultimate non-agency recipient. In recognition of this fact, agency regulations clearly and specifically recognize that employees may submit, with the approval of an approving officer, accountings without supporting receipts on certification by them that receipts are withheld or were not obtained for reasons of security or operational necessity.

4. It is my view that present agency regulations, administrative and post audit practices are consistent with the standards generally applied to the support of financial transactions by professional accountants, commercial and governmental enterprises insofar as they pertain to those

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activities wherein security or operational considerations do not preclude normal practices and standards to be applied.

5. In certain limited instances and circumstances, the receipt processes proposed in references might afford some additional assurance that agency funds reached the intended recipient. This process will not, however, preclude deliberate misuse of funds in any instance wherein the employee is in position to cover and account for funds misused through submission of an operational certificate. It is thus clear that primary control over the use of operational funds rests on the integrity of employees handling such funds, and on operational and approving officers who by intelligent and astute use of knowledge of particular operations are in position to protect the employee as well as the agency in the handling and accounting for funds disbursed. The issuance of specific instructions relating to the mechanical aspects of the documentation of the use of funds, as proposed by references, overemphasizes the value of such procedures in operations such as ours. This overemphasis on form rather than substance may tend to dull rather than sharpen the sense of responsibility of operating and approving officers, which in the final analysis, is the only real protection to the employee and the agency in the handling and accounting for funds made available for sensitive projects.

6. In the above context, the basic problem here is to be solved only by measures designed to assure that all officials responsible for supervising and approving the activities of employees using and accounting for funds recognize and appreciate the extent to which the agency relies on them to assure that operational funds are used for the purposes intended. This recognition and appreciation of responsibility, as well as the motivation to take positive rather than passive action to discharge the responsibility, will be brought about only as guidance is furnished in an educational rather than regulatory sense, and as responsible officials mature in their experience in the administrative aspects of their operational responsibilities.

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7. To further attain the above objectives, it is recommended that the proposed amendment of regulation [REDACTED] discussed in references be cancelled and that in lieu thereof, the responsibility of operating and approving officers be re-emphasized by inclusion of an article such as is attached (tab A) in the next issue of the Support Bulletin. In addition, it is suggested that operational courses conducted by the office of training be surveyed to assure that appropriate emphasis and guidance is given on this responsibility of operational officials as well as the techniques which may be employed by them to assure that the employee and the agency are protected in the use of and accounting for operational funds.

8. Finally, if it is still desired to give specific regulatory recognition to the special responsibilities which accrue to operational

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and approving officers in instances wherein use of funds is not documented in accordance with usual practice because of operational or security considerations, it is suggested that Regulation [REDACTED] be amended as follows:

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### 3. RESPONSIBILITIES

Each approving officer is responsible for:

- a. No change
- b. Implementing, in instances wherein receipts are not furnished for operational or security considerations, such measures and independent verification as is deemed appropriate or feasible to assure that transfer of funds was made by the most dependable method available in the particular situation, in the amounts stated, and for the purpose claimed.
- c. Present b
- d. Present c
- e. Present d

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Chief, Finance Division

10 OCT 1957

CONCUR

/s/ Chief, Technical Accounting Staff

ATTACHMENT: Tab A

Distribution:

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